

SECRETARY OF DEFENSE WILLIAM J. PERRY
MEMORANDUM FOR THE CHIEF OF STAFF, USA, REGARDING SOLDIER COMPENSATION AND
BENEFITS, AS REPORTED IN THE PRESS (JULY 4, 1994)
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Perry: Stop erosion of military pay, benefits

By Rick Maze
Times staff writer

WASHINGTON — Defense Secretary William Perry has acknowledged that eroding benefits could cause a decline in soldier morale, and says he will work hard to prevent that from happening.

But the acknowledgment doesn't mean the battle against further erosion is won, said one service official. "Just that we get the chance to come onto the battlefield" and argue about it.

Short-term, Perry will urge the Clinton administration to back three initiatives:

- A new stateside cost-of-living allowance for high-cost areas;

- Extending a low-income tax credit for families to those serving overseas;

- Finding a more equitable way to handle housing and subsistence allowances for deployed members.

Long-term, Perry says he will work to close the 12.3 percent military pay gap and to push for other improvements in military benefits.

His June 16 memorandum was addressed to Army Chief of Staff Gen. Gordon Sullivan. It responded to Sullivan's May memo complaining about an erosion of benefits and an overall perception in the field that military pay and allowances are constantly under attack.

Perry's response is an acknowledgment of real and perceived threats to service members' way of life, senior defense officials said.

"Gen. Sullivan has helped us focus on the idea of how damaging it is to morale to have President Clinton propose a pay freeze for service members one year and a capped 1.6 percent raise the next," said one official.

"We have to do a better job in the future explaining at the highest levels of the administration about the damage that such proposals can cause," the official said.

Service personnel officials cautioned against making too much of Perry's memo to the Army. "What this shows is that we at least have the secretary's ear when we say that continued erosion of benefits is going to devastate morale," said one service official.

Perry does say in the memo that if he is convinced improvements are needed, "I will make that my top priority" and push the issue with the White House's Office of Management and Budget.

Congress ignored the 1994 pay freeze proposal, giving service members a 2.2 percent raise in January, and is working on legislation to give a 2.6 percent raise in 1995, 1 percentage point more than Clinton proposed.

Even with Congress boosting administration pay requests, military pay is lagging further behind private sector salaries for comparable jobs.

Closing the 12.3 percent gap that has developed between military pay and private sector wages will not be a one-shot fix, Perry said. Pentagon personnel officials are trying to devise a plan for closing the gap over a number of years, he said.

"I am committed to seeking affordable options to eliminate the gap over a reasonable period of time," Perry said.

As part of the 1996 budget process, senior Pentagon officials also will be taking a close look at quality of life issues such as housing, commissaries and family support, he said. These three programs have been under attack because of already tight budgets, and proposals to cut deeper have cropped up inside the Pentagon. While Perry made no commitment that benefits wouldn't be reduced, he said, "the benefits of service must match the burdens we ask men and women in uniform to bear."

Navy Times

July 4, 1994

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Perry pledges support for better pay, benefits

By Rick Maze
Times staff writer

WASHINGTON — In a long-term strategy to treat service members better, Defense Secretary William Perry says he will work to close the 12.3 percent military pay gap and to push for other improvements in military benefits.

In the short term, Perry said in a June 16 memorandum that he will urge the Clinton administration to back three initiatives: a new stateside cost-of-living allowance for high-cost areas; extending a low-income tax credit for families to those serving overseas; and finding a more equitable way to handle housing and subsistence allowances for deployed members.

The memorandum, addressed to Army Chief of Staff Gen. Gordon Sullivan, responded to complaints from Sullivan about an erosion of benefits and an overall perception in the field that military pay and allowances are constantly under attack.

Perry's response is an acknowledgment of real and perceived threats to service members' way of life, senior defense officials said.

"Gen. Sullivan has helped us focus on the idea of how damaging it is to morale to have President Clinton propose a pay freeze for service members one year and a capped 1.6 percent raise the next," said one official. "You can be certain those proposals were neither invented within the Pentagon or supported by the Pentagon, but we got stuck with them. We have to do a better job in the future explaining at the highest levels of the administration about the damage that such proposals can cause."

Service personnel officials cautioned against making too much of Perry's memo to the Army. "What this shows is that we at least have the secretary's ear when we say that continued erosion of

benefits is going to devastate morale," said one service official. "It doesn't mean we have won any battles."

Perry does say in the memo that if he is convinced improvements are needed, "I will make that my top priority" and push the issue with the White House's Office of Management and Budget, which determines the administration's financial priorities.

Congress ignored the 1994 pay freeze proposal, giving service members a 2.2 percent raise in January, and is working on legislation to give a 2.6 percent raise in 1995, 1 percentage point greater than Clinton proposed.

But even with Congress boosting administration pay requests, military pay is lagging further and further behind private sector salaries for comparable jobs. Perry pledges in his memo to try to do something about that.

Closing the 12.3 percent gap that has developed between military pay and private sector wages will not be a one-shot fix, Perry said. DoD personnel officials are trying to devise a plan for closing the gap over a number of years, he said.

As part of the 1996 budget process, senior Pentagon officials also will be taking a close look at quality of life issues such as housing, commissaries and family support, he said.

These three areas have been under attack because of tight budgets, and proposals have arisen within the Pentagon to cut deeper. While Perry made no commitment that benefits wouldn't be reduced, he said "the benefits of service must match the burdens we ask men and women in uniform to bear."

"I have visited your soldiers in the field," Perry said. "I am proud to be among them. Any American would be. ... They deserve the nation's full support. Let's work together during the program review to ensure that they get it."



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THE SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1000

16 JUN 1994

Gordon

MEMORANDUM FOR THE CHIEF OF STAFF, UNITED STATES ARMY

SUBJECT: Soldier Compensation and Benefits

Thanks for your thoughtful memorandum on military compensation. I agree with you: the benefits of service must match the burdens we ask men and women in uniform to bear. We need to attack this on several fronts: ensure that pay remains competitive, continue providing high quality health care to all our beneficiaries and refurbish our deteriorating housing infrastructure. There are some short term amelioratives in each area, but we need to put strategies in place for the long term. Here is my assessment:

- **Military Pay:** Congress is likely to support a 2.6% pay raise for fiscal year 1995. I also will continue to encourage Administration support for initiatives such as CONUS COLA, earned income tax credit for overseas service members, and a more equitable treatment of housing and subsistence allowances for deployed members. To better assess our long term options, I have asked Ed Dorn to ensure that pay is included in the upcoming program review. The results should reveal the trade-offs we will need to make in order to address the employment cost index (ECI) gap. Either way, I am committed to seeking affordable options to eliminate that gap over a reasonable period of time.

We also are starting to organize the Eighth Quadrennial Review of Military Compensation (8th QRMC). I expect the 8th QRMC to produce a whole new set of ideas about the structure of military pay and benefits for the early 21st century.

- **Housing:** Recently, John Hamre worked with the services to address the acute problem in Hawaii, where the Army was required to assume a larger share of housing costs than originally intended and had to divert Army resources to fund non-Army housing.

John is also working on some long term strategies which should improve our flexibility to solve funding problems in the future. One of these initiatives is a concerted effort to obtain transfer authority for the military construction and family housing accounts. If successful, this flexibility could allow us to divert construction savings to the family housing maintenance account.

But we also need a long term strategy to address housing as part of a constellation of issues -- others include commissaries and family support programs -- that I intend to have addressed by an inter-departmental task force on Quality of Life (QOL). An issue paper on QOL is also in the program review.

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- **Medical Care:** This may be the most complex of our human resource issues. Short term, the allocation of health care services has been affected by the turbulence of downsizing, with families in Europe feeling much of the brunt. On this, Steve Joseph has an improved plan to better coordinate our health services in Europe, to buy medical services on the local economy, and to provide language translation services. The larger challenges are to harmonize military health care with the Clinton health reform plan and to make our DoD health care economically efficient without sacrificing quality.

There are several bits of encouraging news here. First, the President fully understands the readiness imperatives of military medicine. Second, the Clinton plan would allow our military treatment facilities to be reimbursed for treating Medicare-eligible retirees. And third, the recently completed "733" study indicates that military health care can be competitive over the long term with private health plans, if we make certain adjustments such as enrollment. Medicare subvention is the key to maintaining a robust military health care infrastructure; it also is the key to ensuring that the several-million strong military coalition (which comprises actives, family members and retirees) supports the Clinton plan. Therefore, I want Sandi Stuart to coordinate our efforts to keep Medicare subvention in the health care reform package as it moves through Congress.

Gordon, I have visited your soldiers in the field. I am proud to be among them; any American would be. They are extraordinarily talented, committed men and women who have volunteered to make enormous sacrifices in the service of their country. They deserve the nation's full support. Let's work together during the program review to ensure that they get it.

In summary, I am committed to the All Volunteer Force and force readiness. I will ask the OSD staff to carefully evaluate the above areas during the POM review and if improvements are necessary, I will make that my top priority and relay this to the Director of OMB.

